



Federal Deposit Insurance Corporation
550 17th Street NW, Washington, D.C. 20429-9990

Financial Institution Letter
FIL-55-2020
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Interagency Guidance on Credit Risk Review Systems

Summary: The FDIC, the Federal Reserve Board, the Office of the Comptroller of the Currency, and the National Credit Union Administration have jointly issued the final *Interagency Guidance on Credit Risk Review Systems* (interagency guidance). The interagency guidance replaces the guidance in Attachment 1 – Loan Review Systems, which is part of the December 2006 Interagency Policy Statement on the Allowance for Loan and Lease Losses. Additionally, the interagency guidance aligns with the *Interagency Guidelines Establishing Standards for Safety and Soundness*.¹

Statement of Applicability to Institutions with Total Assets Under \$1 Billion: This Financial Institution Letter (FIL) applies to all FDIC-supervised depository institutions.

Distribution:

All FDIC-Supervised Depository Institutions

Suggested Routing:

Board of Directors
Chief Executive Officer
Chief Credit Officer
Chief Risk Officer

Related Topics:

[Appendix A to Part 364—Interagency Guidelines Establishing Standards for Safety and Soundness](#)

[Interagency Policy Statement on the Allowance for Loan and Lease Losses](#)

Attachment:

[Interagency Guidance on Credit Risk Review Systems](#)

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Highlights:

- The interagency guidance highlights the important role of credit risk review systems in an institution's overall risk management program.
- The interagency guidance is a stand-alone document that updates and replaces existing guidance on the elements of an effective credit risk review system currently contained in *Attachment 1 - Loan Review Systems* to the December 2006 *Interagency Policy Statement on the Allowance for Loan and Lease Losses*.
- The interagency guidance:
 - Articulates principles for sound credit risk management that include a system of independent, ongoing credit risk review and appropriate communication to management and the board of directors regarding the performance of the institution's loan portfolio.
 - Describes a broad set of practices and principles to be considered when developing and maintaining a credit risk review system, including: qualifications and independence of credit risk review personnel; the frequency, scope, and depth of reviews; and the review, follow-up, communication, and distribution of results.
 - Reflects current industry credit review practices, as well as terminology that is consistent with Accounting Standards Update No. 2016-13, which introduces the current expected credit losses (CECL) methodology and replaces the existing incurred loss methodology in U.S. GAAP. A new Interagency Policy Statement on Allowances for Credit Losses that describes the CECL methodology is being issued separately.
- The principles described in the interagency guidance are designed to be commensurate with the institution's size, nature and scope of operations, loan portfolio types, risk profile, and risk management practices.

¹ *Interagency Guidelines Establishing Standards for Safety and Soundness*, Appendix A to Part 364 of the FDIC's Rules and Regulations.